

**SECRET**

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2 August 1960

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Dear Sir:

We have just completed a new cost estimate for the Photo Rectifier Project. This estimate shows that [ ] in new funds will be required to complete the four (4) units. We have also estimated the amount of money that will be required to complete unit number one. It appears that unit number one can be completed with approximately the amount of funds now remaining in the contract. 25X1A

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We are obligated at this time to submit a revised cost estimate which would show that [ ] in additional funds is required. For reasons stated below we are requesting instead that direction be given us to stop work on all but the first unit, and that a request for additional funds be delayed.

Our experience in estimating the cost of this job has been such that we would feel much more confident of our estimate if it were delayed until the first unit had been completed. The revised estimate of total costs which was submitted in December of 1959 was made before 50% of the contract costs had been expended. This estimate, like the original estimate, was seriously understated and we would like, at this time, to take every possible precaution to avoid significant errors in the final estimate.

The present estimated cost has been increased due to increased estimated costs in mechanical and electrical fabrication and assembly. Previous estimates for mechanical and electrical fabrication and assembly had to be made by the engineers because the manufacturing drawings were less than 50% complete. The current estimate is based upon completed drawings and has been made by personnel who normally estimate shop and assembly costs of production items.

Declass Review by NIMA/DOD

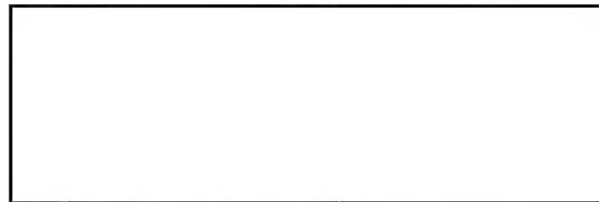
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If you concur with our recommendation to complete unit number one before proceeding with units two, three and four, the delivery of these last three units will be delayed by two or three months beyond the delivery date which would be met if we proceeded with them now. Delaying work on these three units until completion of unit number one may make the total cost of the job slightly higher, though increased production costs might well be offset by the fact that any improvements and changes that may be required in final test of the first unit would be incorporated into the last three units originally, rather than by retrofit.

The present estimated costs at completion compared to the funds currently in the contract is attached for your information. Pending receipt of instructions from you we are planning to stop work immediately on units two, three and four in order to conserve funds and to complete unit number one as quickly as possible.

Very truly yours,

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Vice President, Engineering

HRE/pb

cc: Project Engineer ✓

Enclosure

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